

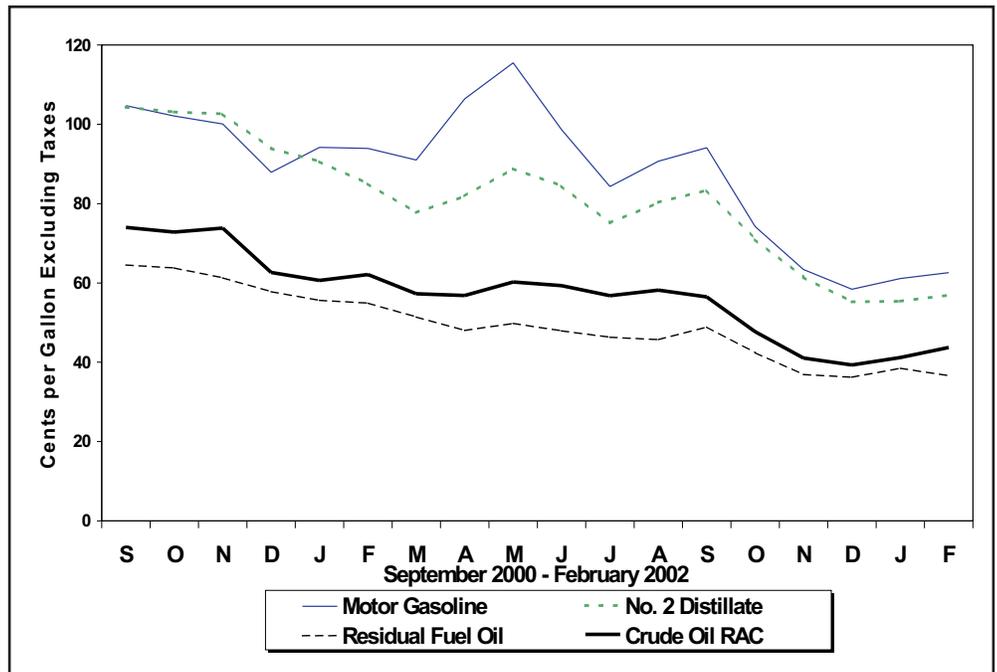
Highlights

Despite largely soft fundamentals, international crude oil prices rose during February. With robust supplies of crude oil and finished products continuing to coexist with ongoing slow demand throughout world markets, political matters often led the direction of market prices during the month. At the beginning of the month, prices responded to some public comments made before the U.S. House Committee on International Relations by Secretary of State Colin Powell on February 6, expressing the Bush Administration's interest in a "... regime change in Iraq ...". The statement kindled speculation about U.S. military intentions in the region among market participants, which encouraged higher prices despite the lack of bullish fundamentals. During the following week, speculation that a major oil company would dominate the purchases of Brent crude oil for March delivery caused upsurges in prices for key crude oil streams in Atlantic basin markets. While prices retreated moderately at mid-month as stock levels, demand rates, and unseasonable temperatures in North America asserted their influence on market sensibilities, they began to rise sharply again during the last week of the month. More rumors of U.S. military actions against Iraq drove the increases, in addition to political problems in Venezuela that included protests by dissident military officers and state oil company employees. Nevertheless, high petroleum product inventories, warm winter temperatures in key markets, and uncertainty about Russia's commitment to export reductions in the future following the expiration of the current cuts agreement with the Organization of Petroleum Exporting Countries

(OPEC) and other major producers provided a moderating influence on rising prices.

Prices for crude oil and finished products in the United States continued to be influenced by high stock levels and mild winter temperatures during February. For most of the month, spot market prices tended to follow the lead of product futures prices in the absence of substantive events or trends involving physical market fundamentals. However, speculation about the U.S. taking military action against Iraq and an upturn in demand for gasoline helped to underpin prices. Scheduled refinery maintenance and discretionary runs cuts also lent support to prices. Refinery utilization is estimated to have dropped to 86.5 percent during February, the lowest level since February 2000. With winter temperatures remaining relatively warm, demand for heating oil was enervated. Data show February 2002 demand for distillate to be more than 11 percent below

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners' /Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 2002		January 2002		February 2001		February 2002		January 2002		February 2001	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	71.8	64.1	70.7	60.4	106.6	62.2	62.6	296.7	61.1	292.6	93.9	289.3
Conventional	69.0	35.5	69.3	32.9	102.8	35.1	59.9	191.7	59.1	188.7	90.0	186.7
Regular	65.9	26.7	66.2	24.8	99.6	26.5	58.4	156.0	57.6	154.1	88.4	151.3
Midgrade	74.5	4.6	75.0	4.3	109.1	4.8	63.3	11.4	62.9	10.9	94.4	12.4
Premium	82.3	4.2	82.5	3.8	117.2	3.8	68.0	24.3	67.5	23.7	98.7	22.9
Oxygenated	75.9	4.1	76.7	4.0	113.2	3.9	67.4	10.7	66.2	11.5	100.7	11.3
Regular	72.7	3.1	73.5	3.1	110.2	3.0	65.9	8.3	64.7	9.0	99.3	8.9
Midgrade	82.3	0.6	82.7	0.5	119.0	0.6	68.0	1.2	67.3	1.3	102.5	1.3
Premium	92.0	0.4	93.0	0.4	130.3	0.3	77.8	1.1	76.3	1.2	110.6	1.0
Reformulated	75.2	24.5	71.6	23.4	111.3	23.2	67.7	94.3	64.5	92.4	100.8	91.3
Regular	71.3	17.3	67.6	16.6	106.9	16.4	64.9	69.9	61.8	68.6	98.1	67.9
Midgrade	81.2	3.5	77.6	3.3	117.2	3.5	73.7	7.9	69.2	7.8	104.9	8.1
Premium	88.0	3.7	85.0	3.5	127.1	3.3	76.6	16.5	74.0	16.0	110.5	15.4
Aviation Gasoline	118.4	0.1	121.2	0.1	130.3	0.1	98.6	0.5	96.5	0.5	131.9	0.4
Kerosene-Type Jet Fuel	58.4	46.0	58.1	45.7	86.9	50.0	57.4	14.0	57.3	10.5	86.8	13.2
Propane (Consumer Grade)	35.1	2.9	38.1	3.3	67.0	2.8	36.6	38.5	37.6	43.2	66.9	39.8
Kerosene	97.7	0.2	98.3	0.2	122.1	0.3	60.8	2.9	62.1	3.2	93.4	2.9
No. 1 Distillate	69.4	0.4	68.1	0.5	97.2	0.5	63.0	2.3	63.2	2.9	97.8	2.9
No. 2 Distillate	61.6	24.1	61.0	23.3	92.3	27.2	56.9	126.1	55.4	132.5	85.0	130.1
No. 2 Fuel Oil	62.3	3.3	63.6	3.2	94.3	3.6	57.8	30.0	57.5	33.9	82.5	33.9
No. 2 Diesel Fuel	61.5	20.8	60.5	20.1	92.0	23.6	56.7	96.0	54.6	98.6	85.8	96.2
Low Sulfur	63.4	14.2	62.3	13.6	93.8	16.0	57.0	83.6	54.7	86.8	86.4	82.2
High Sulfur	57.3	6.6	56.8	6.4	88.1	7.6	54.7	12.5	53.9	11.7	82.6	14.0
No. 4 Fuel^a	54.5	0.5	57.1	0.5	81.2	0.6	54.4	0.1	56.0	0.1	78.0	0.2
Residual Fuel Oil	43.3	10.9	44.4	10.7	59.8	18.3	36.6	7.9	38.5	8.6	54.9	11.4
Sulfur Content not > 1 %	51.2	2.5	50.8	3.1	68.4	6.4	38.0	5.2	40.8	5.9	61.9	4.9
Sulfur Content > 1 %	41.0	8.4	41.8	7.6	55.2	11.9	33.7	2.7	33.7	2.8	49.5	6.5

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

that seen for February 2001. According to the National Oceanic and Atmospheric Administration (NOAA), temperatures (as measured by population-weighted heating degree days) at the U.S. level from July 1, 2001 through February 23 were 20 percent warmer this year compared with the same period last year. Additionally, stocks were nearly 11 percent higher than at this time last year. Spot market prices reflect these issues. The average spot market price for No. 2 heating oil at New York Harbor was 54.1 cents per gallon in February 2002, while the average price in February 2001 was 78.6 cents per gallon, a difference of 24.5 cents.

Additional February market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma increased moderately during February. Opening at its lowest point, \$19.71 per barrel, the price experienced only limited movements during the first week of the month before undergoing a more pronounced increase in reaction to crude oil price activity in European markets. During the following few weeks, the price registered modest fluctuations in the absence of dramatic changes in the market climate. However, during the final days of the month the price moved firmly upwards on rumors of U.S. military involvement in Iraq and political turmoil in Venezuela. The price closed February at its highest level, \$21.78 per barrel, more than \$2.00 higher than the month's starting level.

- February monthly average crude oil prices rose decidedly in all sales categories. The average domestic crude oil first purchase price increased \$1.11 (7.0 percent), to \$17.00 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil shows the largest increase, rising \$1.33 (8.3 percent), to \$17.28 per barrel. The average landed cost of foreign crude oil climbed \$1.30 (7.6 percent), to \$18.31 per barrel.
- The average refiner acquisition cost for domestic crude oil rose 85 cents (4.8 percent), to \$18.70 per barrel. The average cost of imported crude oil to U.S. refiners increased \$1.20 (7.1 percent), to \$18.13 per barrel. The composite refiner acquisition cost for crude oil rose \$1.06 (6.1 percent), to \$18.37 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor generally followed the trend set by crude oil in February. Opening at 53.1 cents per gallon, the price initially rose, leveled off, then climbed to the month's high of 57.8 cents per gallon on February 11. Losing some ground during the coming weeks, the price dropped to its low of 52.3 cents per gallon on February 25. Like crude oil prices, the price for regular gasoline rose sharply during the final days of the month as concern about situations in the Middle East and Venezuela mounted. The price closed at 56.9 cents per gallon, 3.8 cents per gallon higher than where it began February.

- February national average gasoline prices rose modestly in most sales categories. The average February price for retail sales of motor gasoline by refiners increased 1.1 cents to 71.8 cents per gallon. The average wholesale price increased 1.5 cents to 62.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose by 1.0 cent to 72.7 cents per gallon. The average wholesale price increased 1.5 cents to 63.1 cents per gallon. The average dealer tank wagon (DTW) price climbed 2.2 cents to 68.6 cents per gallon, while the average rack price inched up 0.9 cent to 61.3 cents per gallon. The average price for bulk sales increased 1.3 cents to 57.2 cents per gallon. Reformulated gasoline (RFG)

prices were 5.4 cents higher than conventional gasoline prices at retail and 6.4 cents higher at wholesale. Oxygenated gasoline prices were 5.2 cents and 6.9 cents higher than conventional gasoline prices at retail and wholesale, respectively.

- Total refiner sales of gasoline increased in February, rising 7.8 million gallons per day (2.2 percent), to an average of 360.8 million gallons per day. Retail sales rose 3.7 million gallons per day (6.1 percent), while wholesales increased 4.1 million gallons per day (1.4 percent). Rack sales accounted for 65.2 percent of wholesales, while DTW and bulk sales made up 23.4 percent and 11.4 percent, respectively. Reformulated gasoline accounted for 32.9 percent of total motor gasoline sales, while oxygenated gasoline marked 4.1 percent of sales.

No. 2 Distillate

Continuing to be influenced by high stock levels and mild winter temperatures, the daily spot price for No. 2 heating oil at New York Harbor moved within a narrower range during February than in January. After opening at 52.0 cents per gallon, the price rose slightly before falling back to 52.0 cents on February 7. Gaining a little ground after that, the price generally followed the same pattern seen for other major products prices in the complex through the rest of the month. Rising firmly during the final days of February, the price closed at its highest point, 56.8 cents per gallon, nearly 5 cents higher than where it open the month.

- No. 2 distillate prices registered marginal changes during February. The national average residential price for No. 2 distillate fell 1.0 cent to \$1.087 per gallon. The average wholesale price increased 1.4 cents to 58.0 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets inched up 0.6 cent, while the average wholesale price rose 2.0 cents. The difference between low- and high-sulfur diesel fuel prices was 2.5 cents at retail and 2.0 cents at wholesale.
- Sales of No. 2 distillate by refiners declined in February. Total sales dropped 5.7 million gallons (3.7 percent), to 150.1 million gallons per day. Sales of No. 2 fuel oil decreased 3.8 million gallons per day (10.2 percent), while sales of No. 2 diesel fuel fell 1.9 million gallons per day (1.6 percent). Low-sulfur diesel fuel made up 83.7 percent of all refiner diesel fuel sales, and 65.2 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Refiner prices for residual fuel oil were mixed in February. Prices for low-sulfur residual fuel oil increased 0.4 cent to 51.2 cents per gallon at retail, but fell 2.8 cents to 38.0 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil declined 0.8 cent to 41.0 cents per gallon, while the wholesale price remained flat at 33.7 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price dropped 0.3 cent to 50.6 cents per gallon at retail and 0.6 cent to 40.1 cents per gallon at wholesale. The price for high-sulfur residual fuel oil remained at 41.3 cents per gallon at retail, but fell 0.9 cent to 35.0 cents per gallon at wholesale.
- Total refiner residual fuel oil sales dropped slightly in February, slipping 500,000 gallons per day (2.6 percent), to 18.8 million gallons per day. Low-sulfur residual fuel sales decreased 1.3 million gallons per day (14.4 percent), while high-sulfur residual fuel oil sales rose 700,000 gallons per day (6.7 percent).

Other Products

- Most prices for the remaining surveyed products declined in February. Refiner propane prices fell 3.0 cents per gallon at retail and 1.0 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price essentially remained the same as last month, rising 0.1 cent per gallon. The average retail price dropped 0.9 cent, while the average wholesale price fell 1.5 cents. Retail and wholesale prices for kerosene-type jet fuel increased, while kerosene and No. 4 distillate prices fell at both levels. Aviation gasoline prices decreased at retail but rose at wholesale, while No. 1 distillate prices did just the opposite.
- Refiner sales of propane, kerosene, No. 1 distillate, and No. 4 distillate declined at both retail and wholesale levels in February. Aviation gasoline sales rose at retail but fell at wholesale, while sales of kerosene-type jet fuel increased at both levels.